

ELLIOTT & ELLIOTT, P.A.  
ATTORNEYS AT LAW  
1508 Lady Street  
COLUMBIA, SOUTH CAROLINA 29201  
[selliott@elliottlaw.us](mailto:selliott@elliottlaw.us)

SCOTT ELLIOTT

TELEPHONE (803) 771-0555  
FACSIMILE (803) 771-8010

May 13, 2014

**VIA E FILING**

Jocelyn D. Boyd, Esquire  
Chief Clerk and Administrator  
South Carolina Public Service Commission  
101 Executive Center Drive  
Columbia, SC 29210

RE: Application of Sage Telecom Communications, LLC for Designation as an Eligible  
Telecommunications Carrier in the State of South Carolina

Dear Ms. Boyd:

Enclosed please find for filing the Direct Testimony of Nathan Johnson in connection with the above captioned matter. By copy of this letter, I am serving the Office of Regulatory Staff.

If you have any questions, or if I may provide you with any additional information, please do not hesitate to contact me.

Sincerely,

Elliott & Elliott, P.A.



Scott Elliott

SE/lbk

Enclosures

cc: C. Lessie Hammond, Esquire w/enc.  
Lance J.M. Steinhart, Esquire

## CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of the pleading(s) indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: Application of Sage Telecom Communications, LLC for  
Designation as an Eligible Telecommunications Carrier in  
the State of South Carolina

DOCKET NO.: 2014-126 -C

PARTIES SERVED: C. Lessie Hammond, Esquire  
Office of Regulatory Staff  
1401 Main Street, Suite 900  
Columbia, SC 29201

PLEADING: Direct Testimony of Nathan Johnson

May 13, 2014

  
Linda B. Kitchens, Legal Assistant

**BEFORE THE  
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**DOCKET NO. 2014-126-C**

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IN RE:

Application of Sage Telecom Communications, LLC )  
for Designation as an Eligible Telecommunications )  
Carrier in the State of South Carolina )  
\_\_\_\_\_ )

**DIRECT TESTIMONY OF NATHAN JOHNSON**

**Q1: PLEASE STATE YOUR NAME, YOUR POSITION WITH SAGE TELECOM  
COMMUNICATIONS, LLC, AND YOUR BUSINESS ADDRESS.**

**A:** My name is Nathan Johnson. I am Chairman of the Board of Sage Telecom  
Communications, LLC (hereinafter referred to as "Sage" or the "Company"). My  
business address is 10440 N. Central Expressway, Suite 700, Dallas, Texas 75231.

**Q2: PLEASE PROVIDE A BRIEF DESCRIPTION OF SAGE.**

**A:** Sage is a Texas Limited Liability Company organized in the State of Texas on December  
5, 2012. Sage is a subsidiary of TSC Acquisition Corporation ("TSC"). Sage was  
formerly known as Sage Telecom, Inc. before a corporate restructuring in 2012. Sage, as  
f/k/a Sage Telecom, Inc., has been in business since 1998 and is authorized to provide  
local and/or interexchange telecommunications services in Arkansas, California,  
Colorado, Connecticut, Florida, Illinois, Indiana, Kansas, Kentucky, Michigan, Mississippi,  
Missouri, Montana, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma,

Oregon, South Carolina, South Dakota, Texas, Washington, Wisconsin, and Wyoming. Sage is designated as an ETC on a wireline basis in Kansas, Oklahoma, Texas, and Wisconsin.

Sage is a provider of resold commercial mobile radio service ("CMRS"). Sage provides wireless services to consumers by using the Sprint Spectrum, L.P. ("Sprint") and Verizon Wireless ("Verizon") networks. Sage intends to provide Lifeline wireless service under the brand names "Sage Wireless" and "SureLink Mobile". Sage is designated as an ETC on a wireless basis in Kansas, Maryland, Missouri, Texas, and Wisconsin.

**Q3: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

**A:** The purpose of my testimony is to demonstrate that Sage meets the state and federal requirements for designation as an ETC in the State of South Carolina and to support Sage's Application for Designation as an ETC in the State of South Carolina (the "Application"), which was filed on April 1, 2014.

**Q4: DOES SAGE CURRENTLY PROVIDE TELECOMMUNICATIONS SERVICE IN SOUTH CAROLINA?**

**A:** No, Sage does not currently provide telecommunications service in South Carolina.

**Q5: HOW ARE SAGE'S WIRELESS SERVICES DIFFERENT FROM OTHER CARRIERS' OFFERINGS?**

**A:** Many Sage customers are from low-income backgrounds and did not previously have access to high quality wireless services because of financial constraints or poor credit history. Sage does not conduct credit checks or require customers to enter into long-term service contracts as a prerequisite to obtaining wireless service. Sage will offer Lifeline customers a choice between three (3) wireless Lifeline plans. Sage's free MobileFlex

1        Essentials Plan includes separate pools of voice minutes and text minutes, 300 minutes  
2        and 200 texts, so that customers do not deplete critical voice minutes when they utilize  
3        text messaging. In addition to MobileFlex Essentials, customers will also be permitted to  
4        select one of Sage's alternative plans, which offer customers the opportunity to receive  
5        more text units and voice units. Sage's MobileFlex Plus Plan offers 650 minutes and 650  
6        texts; and Sage's MobileFlex Value Plan offers unlimited minutes and texts. In addition  
7        to wholly-supported voice services, Sage will provide Lifeline customers with access to  
8        voice mail, caller I.D., call waiting, call forwarding, and 3-way calling services and E911  
9        capabilities at no cost. Unlike with traditional wireline plans, Sage's customers are not  
10       bound by a local calling area requirement; all Sage plans come with domestic long  
11       distance at no extra charge and exceptional nationwide digital coverage on the  
12       Nationwide Sprint and Verizon Networks. Sage's prepaid offering will be an attractive  
13       alternative for consumers who need the mobility, security, and convenience of a wireless  
14       phone, but who are concerned about usage charges or long-term contracts.

15    **Q6: DOES SAGE CURRENTLY CONTRIBUTE TO THE FUNDING FOR**  
16    **UNIVERSAL SERVICE?**

17    **A:**    Sage does not currently provide service in South Carolina and therefore does not currently  
18       contribute to the federal or state Universal Service Funds ("USF") on behalf of South  
19       Carolina customers.

20    **Q7: DOES SAGE CURRENTLY REMIT ENHANCED 911 ("E-911") FEES IN SOUTH**  
21    **CAROLINA?**

22    **A:**    Sage does not currently provide service in South Carolina, but when it does, the Company  
23       will remit E-911 fees.

1 **Q8: WHAT IS THE NATURE OF SAGE'S ETC DESIGNATION REQUEST?**

2 **A:** Sage seeks ETC designation solely to provide Lifeline service to qualifying South  
3 Carolina consumers; it will not seek access to funds from the federal Universal Service  
4 Fund ("USF") for the purpose of participating in the Link-Up program or providing  
5 service to high cost areas.

6 **Q9: DOES SAGE MEET THE REQUIREMENTS FOR OBTAINING ETC**  
7 **DESIGNATION?**

8 **A:** Yes. Sage meets the requirements for ETC designation contained in federal regulations  
9 as well as those enumerated in S.C. Code Regulation 103-690. Sage recognizes that  
10 Section 214(e)(1)(A) of the Act states that ETCs shall offer services, at least in part, over  
11 their own facilities and that the FCC's Rules (47 C.F.R. § 54.201(i)) prohibit state  
12 commissions from designating as an ETC a telecommunications carrier that offers  
13 services exclusively through the resale of another carrier's services. However, the FCC  
14 recently granted forbearance from enforcement of this facilities requirement to carriers  
15 seeking Lifeline-only ETC designation.<sup>1</sup> In accordance with the *Lifeline and Link Up*  
16 *Reform Order*, Sage filed a Compliance Plan with the FCC outlining the measures the  
17 Company will take to implement the obligations contained in the *Lifeline and Link Up*  
18 *Reform Order*. A copy of the Compliance Plan, which the FCC approved on December  
19 26, 2012, was attached to the Company's Application as Exhibit 3. Sage commits to  
20 providing Lifeline service in South Carolina in accordance with the Compliance Plan.

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<sup>1</sup> See *In the Matter of Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training*, WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11 (rel. Feb. 6, 2012) ("*Lifeline and Link Up Reform Order*") ¶ 368.

1 **Q10: ARE STATES LEGALLY REQUIRED TO COMPLY WITH THE FCC'S GRANT**  
2 **OF FORBEARANCE?**

3 **A:** Yes. While I am not an attorney, I understand that when the FCC exercises its  
4 forbearance authority under Section 10 of the Act, it is binding on all state commissions.  
5 Section 10(e) of the Act provides: "[a] State commission may not continue to apply or  
6 enforce any provision of this chapter that the [Federal Communications] Commission has  
7 determined to forbear from applying under subsection (a) of this section." As such, this  
8 Commission may not apply the facilities-based requirement to Sage. Indeed, the  
9 Commission has the authority under Section 214(e)(2) of the Act to grant the Company's  
10 request for designation as an ETC throughout the State of South Carolina.

11 **Q11: HAS SAGE BEEN DESIGNATED AS AN ETC IN OTHER STATES OR**  
12 **TERRITORIES?**

13 **A:** Yes, as mentioned previously, Sage has been designated as an ETC on a wireline basis in  
14 Kansas, Oklahoma, Texas, and Wisconsin; and on a wireless basis in Kansas, Maryland,  
15 Missouri, Texas, and Wisconsin. Sage currently has applications for ETC designation  
16 pending with Arkansas, Colorado, Kentucky, Louisiana, Michigan, Minnesota, Nebraska,  
17 Ohio, Pennsylvania, South Carolina, West Virginia, and with the FCC for the federal  
18 default jurisdictions of Alabama, Connecticut, Delaware, District of Columbia, Florida,  
19 Maine, New Hampshire, New York, North Carolina, Tennessee, and Virginia; no such  
20 petitions have been denied.



1 **Q12: HAVE THE STATE COMMISSIONS OR THE FCC DETERMINED THAT THE**  
2 **PUBLIC INTEREST WOULD BE SERVED BY THE DESIGNATION OF SAGE**  
3 **AS AN ETC?**

4 **A:** Yes, in each of the jurisdictions where Sage has been granted ETC status, the state  
5 commissions or the FCC determined that the public interest would be served by  
6 designating Sage as an ETC.

7 **Q13: WHAT ARE THE FCC'S REQUIREMENTS FOR OFFERING LIFELINE**  
8 **SERVICE?**

9 **A:** The requirements for offering Lifeline service are identified in the FCC rules, 47 C.F.R.  
10 §§ 54.401 – 54.422. Lifeline service is further outlined in the FCC's *USF/ICC*  
11 *Transformation Order*<sup>2</sup> and *Lifeline and Link Up Reform Order*.<sup>3</sup>

12 **Q14: WHAT SERVICES WILL SAGE OFFER TO LIFELINE SUBSCRIBERS IF**  
13 **GRANTED ETC STATUS?**

14 **A:** Through its wholesale arrangements with Sprint and Verizon utilizing an agreement with  
15 its affiliated company Telscape Communications, Inc. for Sprint and an agreement with  
16 Coast-to-Coast Cellular, Inc. for Verizon, Sage is able to provide all of the services and  
17 functionalities required by S.C. Code Reg. § 103-690.C(a) and Section 54.101(a) and  
18 Section 54.202(a) of the FCC's Rules:

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<sup>2</sup> *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing a Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform – Mobility Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) (“*USF/ICC Transformation Order*”).

<sup>3</sup> *In the Matter of Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training*, WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11 (rel. Feb. 6, 2012) (“*Lifeline and Link Up Reform Order*”).



1           a.       *Voice-grade access to the public switched telephone network.* Sage  
2           provides voice grade access to the public switched telephone network (“PSTN”)  
3           through the purchase of wholesale CMRS services from Sprint/Verizon.

4           b.       *Local usage.* As part of the voice grade access to the PSTN, an ETC must  
5           provide minutes of use for local service at no additional charge to end-users. It is  
6           important to note that currently, the FCC has not adopted any minimum local  
7           usage requirements. Sage offers a variety of rate plans that provide its customers  
8           with minutes of use for local service at no additional charge.

9           c.       *Access to emergency services.* Sage provides 911 and E911 access for all  
10          of its customers to the extent the local government in its service area has  
11          implemented 911 or E911 systems, and will continue to comply with all FCC  
12          E911 requirements applicable to wireless resellers. Sage also complies with the  
13          FCC’s regulations governing the deployment and availability of E911 compatible  
14          handsets.

15          d.       *Toll limitation for qualifying low-income consumers.* Sage’s service is not  
16          offered on a distance-sensitive basis and local and domestic long distance  
17          minutes are treated the same. In the *Lifeline and Link Up Reform Order*, the FCC  
18          stated that toll limitation would no longer be deemed a supported service, and  
19          that ETCs are not required to offer toll limitation service to low-income  
20          consumers if the Lifeline offering provides a set amount of minutes that do not  
21          distinguish between toll and non-toll calls.

22          e.       *Other Services.* While no longer required by 47 C.F.R. § 54.101(a), Sage  
23          provides dual tone multi-frequency (“DTMF”) signaling to expedite the

1 transmission of call set up and call detail information throughout the network,  
2 single party service for the duration of each telephone call and not multi-party (or  
3 “party-line”) services, access to operator services, the ability to make  
4 interexchange, or long distance, telephone calls.

5 **Q15: HOW QUICKLY WILL SAGE BE ABLE TO PROVIDE LIFELINE SERVICE?**

6 **A:** Sage provides service in South Carolina by reselling service which it obtains from its  
7 underlying facilities-based providers. The underlying providers’ networks are  
8 operational and largely built out. Thus, Sage will be able to commence offering its  
9 Lifeline service to all locations served by its underlying carriers very soon after receiving  
10 approval from the Commission.

11 **Q16: HOW RELIABLE IS SAGE’S QUALITY OF SERVICE?**

12 **A:** As a reseller, Sage’s service is of the same quality and reliability as that of its underlying  
13 carriers. To demonstrate its commitment to high service quality, Sage commits to  
14 comply with the Cellular Telecommunications and Internet Association’s (CTIA)  
15 Consumer Code for Wireless Service.

16 **Q17: PLEASE EXPLAIN SAGE’S FINANCIAL, TECHNICAL, AND MANAGEMENT**  
17 **EXPERIENCE AND RESOURCES ENABLING THE COMPANY TO PROVIDE**  
18 **LIFELINE SERVICE IN SOUTH CAROLINA.**

19 **A:** Sage has been offering telecommunications service since 1998 and began providing non-  
20 Lifeline wireless service in October 2012 and Lifeline-supported wireless service in May  
21 2013. The Company generates substantial revenues from non-Lifeline services and has  
22 access to capital from its investors. Less than 20% of Sage’s customers receive a subsidy  
23 from a low-income program; the Company does not offer exclusively Lifeline-supported

1 service and is therefore not exclusively dependent on USAC for its revenue. Again, Sage  
2 has not relied, and will not be relying exclusively on Lifeline reimbursement for the  
3 Company's operating revenues. The Company has not been subject to enforcement  
4 sanctions or ETC revocation proceedings in any state. Furthermore, the senior  
5 management of Sage has great depth in the telecommunications industry and offers  
6 extensive telecommunications business technical and managerial expertise to the  
7 Company. Officer bios were provided as Exhibit 6 to the Company's Application.

8 **Q18: HOW WILL CUSTOMERS COMMUNICATE WITH SAGE REGARDING**  
9 **QUESTIONS, CONCERNS OR COMPLAINTS?**

10 **A:** Customers are able to contact the Company via a toll free number or by dialing 611 from  
11 their Sage phone. They will also be able to contact Customer Service by mail. Sage is  
12 committed to resolving customer questions, concerns and complaints in a swift and  
13 satisfactory manner.

14 **Q19: WILL SAGE CHARGE INSTALLATION, ACTIVATION, OR TERMINATION**  
15 **FEES?**

16 **A:** No, Sage will not charge its Lifeline customers any installation, activation, or termination  
17 fees.

18 **Q20: DOES SAGE PLAN TO OFFER SPECIFIC LIFELINE PLANS?**

19 **A:** Yes, upon designation as an ETC, consistent with 47 C.F.R. § 54.405, Sage will make  
20 available to qualified low-income consumers service offerings that meet all applicable  
21 Lifeline requirements. Sage will offer Lifeline customers a choice of three Lifeline plans.  
22 Customers will be able to choose from the following plans: (1) MobileFlex Essentials  
23 (Net cost to Lifeline customer \$0.00) - Sage will provide qualified Lifeline customers

1 with a monthly allotment of 300 anytime local and domestic long distance minutes and  
2 200 SMS text messages, all applicable taxes and fees are included; (2) MobileFlex Plus  
3 (Net cost to Lifeline customer \$12.25) - Sage will provide qualified Lifeline customers  
4 with a monthly allotment of 650 anytime local and domestic long distance minutes and  
5 650 SMS text messages, all applicable taxes and fees are included; and (3) MobileFlex  
6 Value (Net cost to Lifeline customer \$27.25) - Sage will provide qualified Lifeline  
7 customers with a unlimited anytime local and domestic long distance minutes, unlimited  
8 SMS text messages, and 100MB of data, all applicable taxes and fees are included.

9 At this time additional minutes are available by purchasing another service plan.  
10 However, the Lifeline discount will only be applied once per month for eligible Lifeline  
11 subscribers.

12 **Q21: WHAT OTHER FEATURES ARE INCLUDED IN SAGE'S LIFELINE PLANS?**

13 **A:** In addition to voice services, Lifeline customers will receive a free handset and the  
14 following Custom Calling features at no charge: Caller ID, Call Waiting, Call  
15 Forwarding, 3-Way Calling, and Voicemail. Customers may use their minutes to place  
16 domestic long distance calls at no additional charge. Calls to 911 emergency services are  
17 always free, and calls to Sage customer service made by customers via their Sage handset  
18 by dialing 611 will not deplete the customer's available airtime.

19 **Q22: IN WHAT SERVICE AREAS IS SAGE SEEKING DESIGNATION AS AN ETC?**

20 **A:** Sage requests designation as an ETC in the wire centers where it currently has network  
21 coverage, as detailed in Exhibit 5 of the Company's Application. Sage seeks only low-  
22 income Lifeline support from the federal USF. Low-income support and high-cost  
23 support are very different, and the purpose of a cream-skimming analysis is to prevent a

1 competitive ETC receiving high-cost support from targeting high density wire centers in  
2 a rural LEC service area to the detriment of the rural LEC. Accordingly, Sage requests  
3 that the Commission waive that portion of S.C. Code Reg. 103-690 requiring a “cream-  
4 skimming” analysis.

5 **Q23: WILL SAGE ADVERTISE THE AVAILABILITY OF ITS UNIVERSAL**  
6 **SERVICE OFFERINGS USING MEDIA OF GENERAL DISTRIBUTION?**

7 **A:** Yes, Sage will broadly advertise the availability and rates for the services described above  
8 using media of general distribution as required by 47 C.F.R. § 54.201(d)(2) of the FCC’s  
9 regulations, and in accordance with the requirements set forth in the *Lifeline and Link Up*  
10 *Reform Order*.<sup>4</sup> The Company will advertise its services in a manner reasonably designed  
11 to reach those likely to qualify for Lifeline service, using many mediums for outreach  
12 including print advertisements, direct marketing, and over the Internet. Sage may also  
13 promote the availability of its Lifeline offering by distributing brochures at various state  
14 and local social service agencies, and may partner with nonprofit assistance organizations  
15 in order to inform customers of the availability of its Lifeline service.

16 Sage will explain in clear, easily understood language the following disclosures in  
17 all marketing materials related to the supported service: (1) the offering is a Lifeline-  
18 supported service; (2) only eligible consumers may enroll in the program; (3) Lifeline  
19 support is limited to one benefit per household, consisting of either wireline or wireless  
20 service; and (4) Lifeline is a government benefit program. Sage’s website and printed  
21 collateral will explain the documentation necessary for enrollment, and the details of  
22 Sage’s plans. Sage will make clear that consumers who willfully make false statements

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<sup>4</sup> See *Lifeline and Link Up Reform Order* at Section VII.F. Sage agrees to comply with any additional federal

1 in order to obtain the benefit can be punished by fine or imprisonment or can be barred  
2 from the program.<sup>5</sup> For broadcast advertisements and outdoor signs, and any other  
3 situation in which inclusion of documentation information and warnings against willful  
4 false statements are not practicable, Sage will include the URL link for its website where  
5 disclosures will be listed.

6 **Q24: WILL SAGE MEET THE FCC's ADDITIONAL REQUIREMENTS FOR**  
7 **DESIGNATION AS AN ETC?**

8 **A:** Yes, Sage meets the additional requirements for designation as an ETC as identified in 47  
9 C.F.R. § 54.202, as well as additional requirements established by the FCC in its *Lifeline*  
10 *and Link Up Reform Order*.

11 **Q25: WILL SAGE SERVE ALL ELIGIBLE AND QUALIFYING CONSUMERS**  
12 **WITHIN ITS ETC SERVICE AREA?**

13 **A:** Sage will serve all eligible and qualifying consumers within its requested ETC service  
14 area, and certifies that it will comply with the requirements applicable to the support that  
15 it receives, consistent with 47 C.F.R. § 54.202(a)(1)(i).

16 **Q26: PLEASE EXPLAIN THE CUSTOMER ENROLLMENT (INITIAL**  
17 **ELIGIBILITY) PROCESS FOR LIFELINE SERVICE.**

18 **A:** Eligibility requirements vary from state to state, but Sage follows the same processes for  
19 the enrollment of subscribers who elect Sage's Lifeline service. Sage has established a  
20 Lifeline application process to meet the requirements of the *Lifeline and Link Up Reform*  
21 *Order*, which is reflected in Exhibit 3 to the Company's Application.

22 Sage's Lifeline Application Forms explain in clear, easily understandable

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requirements regarding advertising that have been issued by the FCC, in the form that such requirements are ultimately approved by the federal Office of Management and Budget.

1 language that:

2 (i) Lifeline is a federal benefit;

3 (ii) Lifeline service is available for only one line per household;

4 (iii) a household is defined, for purposes of the Lifeline program, as any individual or  
5 group of individuals who live together at the same address and share income and  
6 expenses;

7 (iv) households are not permitted to receive benefits from multiple providers;

8 (v) that violation of the one-per-household requirement would constitute a violation of  
9 the FCC's rules and would result in the consumer's de-enrollment from the program, and  
10 potentially, prosecution by the United States government; and

11 (vi) a Lifeline subscriber may not transfer his or her service to any other individual,  
12 including another eligible low-income consumer.

13 The form also requires all consumers, at sign up and annually thereafter, to  
14 provide the information and certifications, under penalty of perjury, required by revised  
15 CFR § 54.410(d).<sup>6</sup>

16 Customers will be signed up in person or directed, via company literature or  
17 advertising, to a toll-free telephone number or the Company's website, which will  
18 provide information on the Company's Lifeline plans, including a detailed description of  
19 the program and the state-specific eligibility criteria. Over the phone, Sage  
20 representatives will verbally explain certifications to consumers. With respect to those  
21 enrolling via the Internet, Sage will highlight the certifications that are required by  
22 requiring consumers to acknowledge each certification before moving on to the next field.

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<sup>5</sup> See *Lifeline and Link Up Reform Order* at ¶ 275.



1 Applicants must submit a signed application and support documentation to the Company  
2 by mail, fax, email, or kiosk scan. Sage does accept electronic signatures, including  
3 Interactive Voice Response (IVR) recordings.

4 Sage will determine eligibility, at a minimum, utilizing the income and program  
5 criteria currently utilized by federal default states (47 C.F.R. § 54.409(a) and (b)), as well  
6 as any additional state-specific criteria. Prior to enrolling a new subscriber, Sage will  
7 check the eligibility of applicants first by accessing the National Lifeline Accountability  
8 Database (“NLAD”) and then any state or federal social services electronic eligibility  
9 databases, where available.<sup>7</sup> If a database is used to establish eligibility, Sage will not  
10 require documentation of the applicant’s participation in a qualifying federal program;  
11 instead, Sage will note in its records what specific data was relied upon to confirm the  
12 applicant’s initial eligibility for Lifeline.<sup>8</sup> However, in states where there is no state  
13 administrator, the state commission or other state agency is not making eligibility  
14 determinations, and there is no automated means for Sage to check electronic databases  
15 for eligibility, Sage will review documentation to determine eligibility for new  
16 subscribers until such time as a qualifying eligibility database is available.<sup>9</sup> Sage will  
17 require acceptable documentation both for income eligibility and program eligibility.

18 **Q27: HOW WILL SAGE HANDLE CUSTOMERS WITHOUT FIXED ADDRESSES?**

19 **A:** On its application certification forms Sage will obtain a consumer’s permanent residential  
20 address (which cannot be a P.O. Box or General Delivery address), unless the consumer  
21 has only a temporary address, and, if different, a billing address for the service (which

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<sup>6</sup> See *Lifeline and Link Up Reform Order* pages 227-29.

<sup>7</sup> See *Lifeline and Link Up Reform Order* at ¶ 97.

<sup>8</sup> See *Lifeline and Link Up Reform Order* at ¶ 98.

<sup>9</sup> See *Lifeline and Link Up Reform Order* at ¶ 99.

may include a P.O Box or General Delivery address).<sup>10</sup> Sage will inquire on its certification forms whether or not the address provided is temporary.<sup>11</sup> If so, Sage will notify the consumer that the Company will contact the consumer every 90 days, by phone or text, to verify that he or she continues to rely on that address, and that if the consumer fails to respond within 30 days of Sage's attempt to verify the temporary address, he or she will be de-enrolled from the Lifeline program. Also on its certification forms, Sage will explain that if the subscriber moves, he or she must provide his or her new address to the Company within 30 days of moving.<sup>12</sup> If the subscriber has moved, Sage will update the duplicates database, once in place, with the information within 10 business days of receipt of the information.<sup>13</sup>

**Q28: PLEASE EXPLAIN THE COMPANY'S CUSTOMER VERIFICATION  
(CONTINUED ELIGIBILITY) PROCESS.**

**A:** Sage will re-certify the continued eligibility of all of its subscribers by contacting them – either in person, in writing, by phone, by text message, by email, or otherwise through the Internet – to confirm their continued eligibility.<sup>14</sup> The re-certification notice will explain the actions the customer must take to retain Lifeline benefits, when Lifeline benefits may be terminated, and how to contact Sage. Sage will obtain a signed certification from the subscriber that meets the certification requirements of 47 C.F.R. § 54.410(d), as amended. The Company will provide written notice of impending service termination to subscribers who do not respond to the annual re-certification within 30 days. Sage understands that such certifications may be obtained through a written format,

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<sup>10</sup> See *Lifeline and Link Up Reform Order* at ¶ 85.

<sup>11</sup> See *Lifeline and Link Up Reform Order* at ¶ 89.

<sup>12</sup> See *Lifeline and Link Up Reform Order* at ¶ 85.

<sup>13</sup> See *Id.*

1 an IVR system, or a text message, and will use one or more of such options for its  
2 certifications.<sup>15</sup>

3 Sage (or state agency or third-party, where applicable) will query the NLAD or  
4 any state database and maintain a record of what specific data was used to re-certify  
5 eligibility and the date of re-certification. If a subscriber's address cannot be verified  
6 through the state data, Sage will contact the subscriber during the annual certification  
7 process to obtain a valid address.<sup>16</sup> Sage will continue to annually certify the continued  
8 eligibility of its entire subscriber base, either by accessing a qualifying database, or by  
9 electing to have USAC administer the self-certification process on the Company's  
10 behalf.<sup>17</sup>

11 Sage will certify its compliance with FCC rules on an annual Lifeline eligible  
12 telecommunications carrier certification form and when submitting FCC Forms 497 to  
13 USAC for reimbursement. As part of Sage's submission of re-certification data pursuant  
14 to 47 C.F.R. § 54.416, an officer of the Company will certify annually to USAC:

- 15 (1) that the Company has procedures in place to review consumers'  
16 documentation of income-and program-based eligibility. In instances where the  
17 Company confirms consumer eligibility by relying on official program eligibility  
18 data, such as a state or federal database, an officer of the Company will attest to  
19 what data the Company uses to confirm consumer eligibility in each state; and  
20 (2) that the Company is in compliance with all federal Lifeline certification

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<sup>14</sup> See *Id.*

<sup>15</sup> See *Lifeline and Link Up Reform Order* at ¶ 132.

<sup>16</sup> See *Lifeline and Link Up Reform Order* at ¶ 131.

<sup>17</sup> See *Lifeline and Link Up Reform Order* at ¶ 133.

procedures.<sup>18</sup>

In addition, Sage will certify when seeking reimbursement that the Company has obtained a valid certification form for each customer for whom the Company seeks Lifeline reimbursement.<sup>19</sup>

**Q29: WILL SAGE COMPLY WITH THE LIFELINE CERTIFICATION AND VERIFICATION REQUIREMENTS?**

**A:** Yes. Sage will certify and verify consumer eligibility in accordance with the FCC's requirements and with applicable Commission rules. Sage will utilize use the FCC-mandated requirements for determining Lifeline eligibility, and will utilize gross household income of no higher than 135% of Federal Poverty Guidelines as an income-based eligibility requirement.

**Q30: WHAT STEPS WILL SAGE TAKE TO PREVENT WASTE, FRAUD, AND ABUSE OF THE LIFELINE PROGRAM?**

**A:** Sage recognizes the importance of safeguarding the USF. The Company will utilize the Universal Service Administrative Company's ("USAC") NLAD in South Carolina to add, enroll, edit, and de-enroll subscribers in its Lifeline program.

To further protect the integrity of the USF, Sage will implement the following non-usage policy: Sage will not seek reimbursement from the USF for inactive subscribers who have not used the service for a consecutive 60-day period. An account will be considered active if during any 60-day period the authorized subscriber does at least one of the following: makes a monthly payment; purchases minutes from the Company to add to an existing pre-paid Lifeline account; completes an outbound call;

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<sup>18</sup> See *Lifeline and Link Up Reform Order* at ¶ 126-27.

1 initiates an outbound SMS or data usage; answers an incoming call from anyone other  
2 than the Company, its representative, or agent; or affirmatively responds to a direct  
3 contact from the Company confirming that he or she wants to continue. Sage will provide  
4 the subscriber 30 days' notice, using clear, easily understood language, that the  
5 subscriber's failure to use the Lifeline service within the 30-day notice period will result  
6 in service termination for non-usage; such notice may be given after 30 days of non-  
7 usage.

8 **Q31: DOES SAGE'S PROCESSES INCLUDE STEPS TO PREVENT SUBSCRIBERS**  
9 **FROM RECEIVING MORE THAN ONE LIFELINE DISCOUNT AND TO**  
10 **ENSURE THAT DISCOUNTS ARE NOT PROVISIONED MORE THAN ONCE**  
11 **PER HOUSEHOLD?**

12 **A:** Yes, Sage's processes include steps to prevent subscribers from receiving more than one  
13 Lifeline discount as well as to ensure that discounts are not provisioned more than once  
14 per household.

15 **Q32: IS SAGE ABLE TO REMAIN FUNCTIONAL IN EMERGENCY SITUATIONS?**

16 **A:** Yes, in accordance with 47 CFR §54.202(a)(2), Sage has the ability to remain functional  
17 in emergency situations. Through its agreement with its underlying carriers, Sage  
18 provides to its customers the same ability to remain functional in emergency situations as  
19 currently provided by the ILECs to their own customers, including access to a reasonable  
20 amount of back-up power rerouting of traffic around damaged facilities, and the  
21 capability of managing traffic spikes resulting from emergency situations.

22 **Q33: DOES SAGE AGREE TO COMPLY WITH ALL COMMISSION RULES AND**

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<sup>19</sup> See *Lifeline and Link Up Reform Order* at ¶ 128.

**REGULATIONS REGARDING ETC?**

**A:** Yes. Sage hereby asserts its willingness and ability to comply with all the rules and regulations that the Commission may lawfully impose upon the Company's provision of service contemplated by its application for ETC designation, including regulations regarding designation of an ETC found in S.C. Code Reg. 103-690 and Annual Reporting Requirements for ETCs found in S.C. Code Reg. 103-690.1. Additionally, Sage agrees to comply with all provisions of the Stipulation entered into with the South Carolina Office of Regulatory Staff.

**Q34: HOW IS SAGE ADDRESSING THE CURRENT ECONOMY?**

**A:** The benefits that Sage's Lifeline offering provides to low-income individuals are of great significance given economic circumstances. The availability of a wireless telephone is often critical to unemployed South Carolina residents and their efforts to search for employment opportunities. A mobile telephone allows individuals to be reached at any time and location and enable them to respond to potential employers immediately. In addition, a mobile telephone allows low-wage individuals to remain in contact with their employers and supervisors, and to respond to requests to work additional hours.

**Q35: HOW WILL SAGE'S PRESENCE AS AN ETC IN SOUTH CAROLINA SERVE THE PUBLIC INTEREST?**

**A:** A central purpose of the Telecommunications Act of 1996 was to "promote competition and reduce regulation ... to secure lower prices and higher quality services ... and encourage the rapid deployment of new telecommunications technologies" to all citizens, regardless of geographic location or income.<sup>20</sup> Sage's Lifeline service will provide low-

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<sup>20</sup> The Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56, 56 (1996).

1 income South Carolina residents with the convenience and security offered by wireless  
2 services—even if their financial position deteriorates. Many low-income customers in  
3 South Carolina have yet to reap the full benefits of the intensely competitive wireless  
4 market. Whether because of financial constraints, poor credit history or intermittent  
5 employment, these consumers often lack the countless choices available to most  
6 consumers.

7 The public interest benefits of the Company's wireless service include larger local  
8 calling areas (as compared to traditional wireline carriers), the convenience and security  
9 afforded by mobile telephone service, the opportunity for customers to control cost by  
10 receiving a preset amount of monthly airtime at no charge, the ability to purchase  
11 additional usage at flexible and affordable amounts in the event that included usage has  
12 been exhausted, 911 service and, where available, E911 service in accordance with  
13 current FCC requirements. Without question, prepaid wireless services have become  
14 essential for low-income customers, providing them with value for their money, access to  
15 emergency services on wireless devices, and a reliable means of contact for prospective  
16 employers, social service agencies or dependents. Providing Sage with the authority  
17 necessary to offer discounted Lifeline services to those most in danger of losing wireless  
18 service altogether undoubtedly promotes the public interest.

19 **Q36 WHAT ARE SOME OF THE BENEFITS OF INCREASED COMPETITIVE**  
20 **CHOICE?**

21 **A:** Introducing Sage into the market as an additional wireless ETC provider will afford low  
22 income South Carolina residents a wider choice of providers and available services while  
23 creating a competitive marketplace as ETCs compete for a finite number of Lifeline-



1 eligible customers. Increasing the competitive marketplace of providers has the potential  
2 to effectively increase the penetration rate and reduce the number of individuals not  
3 connected to the PSTN, while helping to assure that quality services are available at just,  
4 reasonable, and affordable rates. Sage expects that qualified consumers will elect to  
5 participate in Lifeline if they are aware of a wireless option, and that the availability of  
6 competing Lifeline programs will encourage greater participation in the Lifeline program.

7 **Q37: IF SAGE'S PETITION IS GRANTED, WILL THERE BE ANY FINANCIAL**  
8 **IMPACT ON THE UNIVERSAL SERVICE FUND?**

9 **A:** With Lifeline, ETCs only receive support for customers they obtain. The amount of  
10 support available to an eligible subscriber is exactly the same whether the support is  
11 given through a company such as Sage or the Incumbent LEC operating in the same  
12 service area. Sage will only increase the amount of USF Lifeline funding in situations  
13 where it obtains Lifeline customers not enrolled in another ETC's Lifeline program. By  
14 implementing the safeguards set forth in the *Lifeline and Link-up Reform Order*, Sage  
15 will minimize the likelihood that its customers are not eligible or are receiving  
16 duplicative support either individually or within their household. Significantly, Sage's  
17 designation as an ETC will not increase the number of persons eligible for Lifeline  
18 support. Sage's ability to increase the Lifeline participation rate of qualified low-income  
19 individuals will further the goal of Congress to provide all individuals with affordable  
20 access to telecommunications service, and thus any incremental increases in Lifeline  
21 expenditures are far outweighed by the significant public interest benefits of expanding  
22 the availability of affordable wireless services to low-income consumers.

23 **Q38: IS THERE ANYTHING ELSE YOU WOULD LIKE TO ADD TO YOUR**

1       **TESTIMONY?**

2   **A:**    Yes. Based on my testimony above, I would like to reiterate that Sage meets the  
3           requirements for designation as an ETC in the State of South Carolina. Accordingly,  
4           Sage respectfully requests that the Commission promptly grant Sage's Application so that  
5           Sage may commence providing greater benefits to qualified low-income South Carolina  
6           consumers at the earliest possible time.

7   **Q39: DOES THIS CONCLUDE YOUR TESTIMONY?**

8   **A:**    Yes.

**VERIFICATION  
of Testimony**

**Verification of Nathan Johnson, Chairman of the Board of Sage Telecom Communications,  
LLC**

State of Texas )  
 )  
County of Dallas )

### VERIFICATION

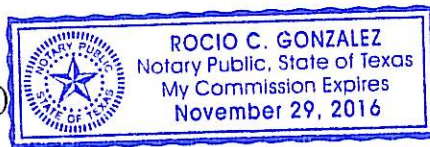
Personally appeared before the undersigned, an officer duly authorized to administer oaths, I, Nathan Johnson, first being duly sworn, depose and state that I am Chairman of the Board of Sage Telecom Communications, LLC and do hereby declare under penalty of perjury that I have read my Direct Testimony and know the contents thereof, which was filed in support of Sage Telecom Communications, LLC's Application for Designation as an Eligible Telecommunications Carrier in the State of South Carolina, that said contents are true in substance and in fact, except as to matters stated upon information and belief, and as to those, I believe the same to be true.

Dated: 5/2/14.

  
\_\_\_\_\_  
Nathan Johnson  
Chairman of the Board  
Sage Telecom Communications, LLC

Subscribed and sworn to before me this 7<sup>th</sup> day of May, 2014.

(Notary Seal)



  
\_\_\_\_\_  
Notary Public

My commission expires: 11-29-16

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